

in the Delta and southeastern states should more than offset declines in the southwest and western states. Prospects for a large U.S. crop have contributed to the recent rapid decline in cotton prices.

Texas, the largest cotton-producing state, completed most plantings by late June. In mid-July, 33 percent of the Texas crop was rated in good or excellent condition and 30 percent in fair condition. California's planting began in mid-March but was slowed by cool, wet weather in early April. Although some fields had to be replanted because of April storms, cotton development in California is near normal, with 100 percent of the crop in good or excellent condition as of mid-July.

Higher expected prices for long-grain *rice* are responsible for much of the anticipated

increase in rice acreage. Rice plantings for 2001 are estimated at almost 3.3 million acres, likely up 6 percent from 2000, with long-grain acreage up an estimated 19 percent. In contrast, combined short- and medium-grain plantings are expected down nearly 7 percent—with Arkansas likely accounting for the bulk of the decrease—due to weaker prices in 2000.

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Livestock, Dairy, & Poultry

U.S. Meat Exports To Grow Modestly

Modest growth in overall red meat and poultry exports is expected this year and in 2002. Beef and pork exports are likely to exhibit a mixed pattern, while broiler exports are expected to increase. Disease problems—bovine spongiform encephalopathy (BSE) and foot-and-mouth-disease (FMD)—in the European Union (EU) disrupted meat trade this year, but some EU countries have recently been designated FMD-free by major meat importers.

Since 1997, U.S. meat exports have grown at an average annual rate of about 4 percent, compared with double-digit growth in the previous 10 years. During the boom of the early 1990s, trade agreements made several meat markets more accessible—such as Korea, Japan, Mexico, and Canada—and many countries experienced increased income growth. Also, growth rates in the early 1990s were particularly noteworthy because they followed years of low exports.

Recent slower growth in meat exports can be traced to a healthy U.S. economy with consumers bidding to keep meat in the U.S., increased competition from other

meat exporting countries, and economic uncertainties in some key importing markets (Russia and Asia).

Despite a 2-percent decline in U.S. beef supplies and marginally higher prices, U.S. beef exports (primarily fed beef) are expected to rise about 4 percent in 2002, compared with a 5-percent decline in 2001. The increase is based on two factors: economic growth stimulating demand in major beef markets, and limited supplies from South America and the EU because of FMD and BSE considerations. Of the major exporting countries, only Canada is expected to have substantially higher supplies available for export next year.

U.S. beef imports (primarily processing beef) are on track to be up about 1 percent in 2001 and 2002 as cow slaughter continues to decline. Higher beef prices and the strong dollar will provide incentives for Australia and New Zealand to export to the U.S. Exports from Argentina and Uruguay will be limited due to FMD problems that preclude shipments of fresh/chilled and frozen beef.

Live cattle exports are expected to drop from the record 481,000 head in 2000 to 410,000 in 2001. Exports are expected to decline another 9 percent in 2002 as lower U.S. feeder cattle supplies and record high U.S. prices limit Canadian imports of feeder cattle. Canada, as a result of changes to the protocol of the Restricted Feeder Cattle Project (RFCP), has surpassed Mexico as the dominant market for exports of live cattle. RFCP was designed to allow export of U.S. feeder cattle from designated states to Canadian feedlots from mid-October through mid-March without unacceptable risk of carrying bluetongue and anaplasmosis.

After reaching the highest level in 5 years in 2000, cattle imports are likely to rise to 2.325 million head in 2001 and drop back to 2.175 million in 2002. Cattle imports have been quite variable historically, but increased 11 percent between 1996 and 2000. Growing imports from Mexico more than offset declining imports from Canada. Imports from Mexico are up because of increasingly attractive feeder cattle prices in the U.S. and genetic improvements in Mexican feeder cattle. Live cattle imports from Canada are down as changes in Canadian policy have encouraged cattle feeding, slaughter capacity has expanded, and Canada began rebuilding herds.

U.S. pork exports are forecast at roughly 1.44 billion pounds for this year and drop to 1.4 billion in 2002. Major U.S. export markets will continue to be Japan (50 percent), Mexico (20 percent), and Canada (10 percent).

The 2001 forecast for pork imports is 956 million pounds, down from 2000 because of the 10-week ban on imports from the EU due to the FMD outbreak. Resumption in imports from Denmark likely will boost imports in the second half of the year. U.S. pork imports are forecast at about 1 billion pounds in 2002.

The trend toward higher U.S. imports over the past 5 years is a reflection of the expanding Canadian pork industry and its growing integration with the U.S. industry. The integration is likely to continue, with Canada's share of U.S. imports eroding Denmark's share. In 2000, Canada accounted for 76 percent of U.S. pork

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imports, Denmark 15 percent. By comparison, Canada's share of U.S. imports was 49 percent in 1990, while Denmark's share was 30 percent.

Integration of the North American pork industry is also apparent from the Canadian perspective. Last year, the U.S. accounted for 90 percent of Canadian pork imports; in 1990, the U.S. share was 80 percent. However, Canada remains a net pork exporter to the U.S. In 2000, the U.S. imported 595 million pounds more pork on a carcass-weight basis than it exported to Canada.

U.S. live hog imports are forecast at 4.7 million head for both 2001 and 2002, compared with 4.36 million head in 2000. Canada's feeder pig export sector is growing while a hog-finishing sector has been developing in U.S. Corn Belt states. Continuing expectations for low feed prices also are contributing to the higher forecast. First-quarter 2001 live hog imports

from Canada were over 1.2 million head, 58 percent of which were feeder animals.

The increase in broiler exports to Russia and Hong Kong in 2000 and the first quarter of 2001 will likely continue into 2002. In 2002, U.S. broiler exports are expected to be about 6.2 billion pounds, up nearly 5 percent from the projected exports for 2001. If the 2002 production and export forecasts are realized, exports will account for about 20 percent of domestic broiler production.

U.S. turkey exports in 2002 are expected to total 495 million pounds, up slightly from 2001. The largest customers (Mexico and Russia) are expected to have continuing economic growth. **AO**

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Livestock, Dairy, & Poultry

Dissecting the Challenges of Mad Cow & Foot-and-Mouth Disease

Two animal diseases currently affecting European agriculture—foot-and-mouth disease (FMD) and bovine spongiform encephalopathy (BSE)—have made headlines throughout the world. Simultaneous occurrence of these diseases in Britain earlier this year caused confusion among consumers worldwide about the issues and interrelationships, and the combined costs to the UK economy have been shared by agriculture, consumers, tourism, and trade.

Both diseases affect producers and consumers through changes in livestock product prices, availability of goods, and costs of production. Trade is also affected as governments restrict imports from FMD- and BSE-infected countries to protect human health, animal health, and domestic livestock industries. The U.S. has a vested interest in the trade aspects of animal health issues worldwide, as U.S. exports of cattle, sheep, hogs, and their

products account for about \$6-\$10 billion, or roughly 10 percent of the value of U.S. farm-level cash receipts for these species.

Bovine Spongiform Encephalopathy

BSE, also called mad cow disease, is a neurological disease in cattle that was first discovered in Britain in 1986. BSE peaked in British cattle in 1993, and initially it was thought BSE affected only cattle. However, in 1996, the British government announced a possible link between BSE and a new human variant of Cruetzfeld-Jacob Disease (nvCJD), and BSE also became a human health/food safety issue.

BSE and its human form, nvCJD, are always fatal. The human version of BSE is thought to be acquired by consuming certain beef or other products from infected cattle. Because nvCJD appears to have

an incubation period spanning several years, it is not known if its incidence has peaked in humans.

The United Kingdom (UK)—of which Britain is a part—has been disposing of BSE-infected cattle since 1986, with indemnity payments to farmers and adverse effects on beef production, consumption, and market prices. Cow herds infected with BSE are quarantined and killed, but neighboring farms are not at risk unless their cattle are also fed infected feed. The 1996 outbreak was followed by an immediate 40-percent drop in sales of beef products and a 26-percent drop in household consumption of beef and veal. Total first-year losses to BSE were estimated at £740-£980 million (US\$1.07-\$1.4 billion). The longrun effect on shares of expenditures on beef and veal in the UK are estimated to be a 4.5-percent drop.

Since its discovery in 1986, over 30 hypotheses have been offered for BSE's origin, but the exact cause remains unknown. The lead hypothesis points to rogue proteins (prions) in meat and bone meal produced from sheep infected with scrapie, a related neurological disease. The prions are then thought to be passed on to cows fed this infected meal, causing BSE in cows, and the disease is spread by feeding other cattle prion-infected meat and bone meal produced from infected cows. There is no evidence that BSE spreads through contact between unrelated adult cattle or with other species.

BSE has been confirmed in native cattle in over a dozen other countries, although over 95 percent of all BSE cases have occurred in the UK. There have been no confirmed cases of BSE or nvCJD in the U.S.

Foot-and-Mouth Disease

In February 2001, FMD, a highly contagious viral livestock disease, broke out in the UK. The outbreak added to the economic burden of BSE by setting off an additional series of livestock dispositions, indemnities, and effects not only in the agricultural sector, but in tourism and other sectors as well, because of restrictions on travel and animal movement. FMD primarily affects cloven-hoofed